

Message Text

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PAGE 01 EC BRU 00951 032052Z

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EXDIS

E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: CHEESE AND COUNTERVAILING

REF: STATE 23547

1. SUMMARY: HIJZEN, EMPHASIZING THAT THE EC IS OFFERING A PACKAGE OF REDUCED SUBSIDIES, TERMINATION OF PREFIXATION, AND WILLINGNESS TO CONSULT THENEVER PROBLEMS MAY ARISE, CONFIRMED MOST ELEMENTS OF THE US UNDERSTANDING OF THE EC'S INTENTIONS, BUT IS UNABLE TO PROVIDE MUCH OF THE ADDITIONAL INFORMATION REQUESTED IN REFTEL. THE COMMISSION'S PROPOSALS WILL GO TO THE MILK MANAGEMENT COMMITTEE ON WEDNESDAY, FEBRUARY 5. END SUMMARY

2. MISSION OFFICERS CONVEYED THE POINTS IN REFTEL TO HIJZEN AND RECIEVED HIS RESPONSES IN TWO MEETINGS ON FEBRUARY 3. BETWEEN THE TWO MEETINGS HIUZEN CONSULTED WITH RABOT, AND HIS ANSWERS CAN THEREFORE BE CONSIDERED THE COMMISSION'S RESPONSE.

3. HIJZEN EMPHASIZED THE FOLLOWING AS THE ESSENTIAL ELEMENTS OF THE COMMISSION'S INTENTIONS WITH REGARD TO CHEESE:

A) THE RESTITUTIONS ON CHEESE WOULD BE REDUCED VERY SUBSTANTIALLY FROM THE PREVIOUS LEVEL;

B) PREFIXATION WOULD BE ENDED. THIS WAS A MOST IMPORTANT NEW ELEMENT AND WOULD PERMIT THE RAPID ADJUSTMENT OF THE RESTITUTIONS SHOULD THIS BE REQUEIRED TO ENSURE THE COMMISSION'S AIM, TO

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PAGE 02 EC BRU 00951 032052Z

TO RELIEVE AND AVOID CREATING PROBLEMS, OR POSING UNFAIR COMPLETIT-

ION, FOR THE US DAIRY INDUSTRY;

C) WILLINGNESS TO CONSULT AT ANY TIME WHEN THE US NOTIFIES IT THAT PROBLEMS HAVE NEVERTHELESS DEVELOPED.

4. IN REGARD TO THE ELEMENTS OF THE US UNDERSTANDING OF THE EC'S PROPOSALS (REFTEL PARA 2), HE SAID HE COULD NOT DESCRIBE THEM AS "UNDERSTANDINGS " OR "AGREEMENTS." HE PREFERRED TO REFER TO THEM AS THE EC'S "INTENTIONS." HIS COMMENTS ON EACH POINT WERE AS FOLLOWS:

A) HE CONFIRMED THAT THE RESTITUTIONS WOULD BE REDUCED BY PERCENTAGES SLIGHTLY LESS THAN THE 30-50 PERCENT EARLIER STATED. HE ASSURED US THAT THE ADJUSTMENTS IN THESE PERCENTAGES WERE BASED SOLELY IN THE CHANGE IN THE VALUE OF THE DOLLAR AND SHOULD THE DOLLAR RISE, WOULD REVERT BACK TO THE 30-50 PERCENT. HOWEVER, THE ADJUSTMENTS WOULD BE MADE TO BOTH THE LOWER AND THE UPPER ENDS OF THE RANGE OF PERCENTAGES.

B) HIJZEN CONFIRMED THAT THE EC INTENDS TO MAINTAIN A GAP BETWEEN US AND EC PRICES THAT WOULD SUBSTANTIALLY RELIEVE THE PROBLEMS OF US PRODUCERS, AND ALSO CONFIRMED THE PRICE CITED FOR EC BLUEMOLD. HE RESTATED THE UNDERSTANDING ON CHEDDAR AS FOLLOWS: "WE ARE GOING TO PROCEED TO FIXATION OF THE RESTITUTION AT A LEVEL WHICH MOST PROBABLY WILL NOT US TO REMAIN ON THE US MARKET."

C) HIJZEN WOULD LIKE TO STRIKE OUT THIS SUB-PARAGRAPH. HE SAID THAT THE COMMISSION DID NOT HAVE AVAILABLE TO IT MEASURES SUCH AS STOCKPILING TO WITHOLD PRODUCTS FROM THE US MARKET. IT CERTAINLY DID, HOWEVER, HAVE THE MECHANISM OF REDUCING RESTITUTIONS, AND IT INTENDED TO USE IT. FURTHERMORE, WHILE HE COULD AGREE THAT THE RESTITUTIONS WOULD BE LIMITED TO AVOID "AGRESSIVE MARKETING", THIS SEEMED TO ADD LITTLE TO THE ELEMENTS IN SUB PARA B. FINALLY, IN HIS VIEW "EXCEEDING TRADITIONAL AMOUNTS" WENT TOO FAR. HE COULD AND WOULD GIVE NO QUANTITATIVE ENGAGEMENTS. IF EC CHEESE EXPORTS ROSE WITHOUT DAMAGING US PRODUCERS, THIS SHOULD NOT BE CAUSE FOR CONCERN. THE COMMISSION'S GOAL WAS TO AVOID PROBLEMS FOR US PRODUCERS, NOT TO REDUCE ITS EXPORTS UNNECESSARILY.

D) HE CONFIRMED THAT THE COMMISSION WILL PROPOSE THE ELIMINATION OF PREFIXATION.

E) HE ESSENTIALLY CONFIRMED THE MEANING OF THIS SUB-PARAGRAPH LIMITED OFFICIAL USE

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PAGE 03 EC BRU 00951 032052Z

WHILE INSISTING THAT RATHER THAN SAY THERE WAS AN "AGREEMENT," EACH SIDE SHOULD STAND READY TO TALK WITH THE OTHER WHENEVER THE OTHER BELIEVED THAT THE PRESENT SCHEME WAS PROVING INADEQUATE.

F) HE FELT THAT HE COULD CONFIRM THIS ALSO. HOWEVER HE NOTED THAT WHILE THE EC WAS READY TO DISCUSS SUBSIDIES IN THE MTNS (AS WELL AS DAIRY PRODUCTS) IT COULD NOT NOW BIND ITSELF TO ANY SPECIFIC RESOLUTION OF THE PROBLEM.

T. HIJZEN'S RESPONSES TO THE ADDITIONAL QUESTIONS POSED IN
PARA 3 OF REFTEL WERE A GOOD DEAL LESS SPECIFIC:

A) HE CONFIRMED THAT THE EC WAS FOLLOWING NEW YORK MARKET
QUOTATIONS, AND SAID THAT THE COMMISSION HOPED IT WOULD RECEIVE
US HELP IN MONITORING THE US MARKET. HOWEVER, HE COULD NOT AT
THIS TIME TELL US THE RESTITUTIONS BEING PROPOSED ON INDIVIDUAL
CHEESES, BECAUSE THE COMMISSION COULD NOT GIVE THE IMPRESSION
THAT IT WAS NEGOTIATING WITH THE US ON THIS SUBJECT, NOR COULD
IT INFORM THE US OF ITS INITIAL RANGE OF PROPOSALS BEFORE IT HAD
INFORMED MEMBER STATE GOVERNMENTS IN THE MILK MANAGEMENT COMMITTEE.
FURTHERMORE, IT WAS IMPOSSIBLE FOR HIM TO STATE WHAT THE PRICE
GAPS WOULD BE. THESE WOULD DEPEND UPON THE STATE OF THE MARKET;
ALL HE COULD SAY WAS THAT THE GAPS WOULD BE GREATER THAN UNDER
THE OLD RESTITUTIONS.

B) THERE IS NO FORMULA FOR SETTING PRICE GAPS; IN FACT ACHIEVING
SPECIFIC GAPS IS NOT THE COMMISSION'S OBJECTIVE, RATHER, THE
COMMISSION'S AIM IS TO INCREASE THE GAPS AND THEREBY TO AVOID
PROBLEMS FOR US PRODUCERS. IF THE RESTITUTIONS SET PROVE TO
LEAD EITHER TO ELIMINATION OF EC CHEESE SALES OR TO INJURY TO US
PRODUCERS, THE COMMISSION WOULD ADJUST THEM.

C) HIJZEN SAID HE COULD GIVE NO COMMITMENT WHATEVER REGARDING
MARKET SHARES.

D) THE NEW SYSTEM IS TO BE APPLICABLE TO ALL EC CHEESE EXPORTS
TO THE US, BUT TO NO OTHER PRODUCTS.

6. WE EMPHASIZED TO HIJZEN THAT NO COMMITMENT COULD BE MADE AS
TO WHETHER THE SECRETARY OF THE TREASURY WOULD REFRAIN FROM
IMPOSITION OF COUNTERVAILING DUTIES WHEN RESTITUTIONS ARE
REINSTITUTED. WE NOTED THAT IN THE ABSENCE OF THE ADDITIONAL
INFORMATION REQUESTED IN REFTEL, IT WOULD, IN VIEW OF THE TIME
CONSTRAINTS ON TREASURY, BE VERY DIFFICULT TO AVOID AT LEAST
TEMPORARY IMPOSITION OF COUNTERVAILING DUTIES. HIJZEN RESPONDED
THAT THE COMMISSION HAD STATED ITS INTENTIONS AS CLEARLY AND
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PAGE 04 EC BRU 00951 032052Z

FULLY AS IT COULD. CUTTING BACK THE RESTITUTIONS AND ENDING
PREFIXATION WERE POLITICALLY DIFFICULT MEASURES FOR THE EC. HE
ASKED FOR NO COMMITMENTS FROM THE US BUT IT WAS NOW UP TO THE
USG TO SHOW ITS "POLITICAL RESPONSIBILITY" - BY REFRAINING FROM
COUNTERVAILING. HE WARNED THAT IF THE US DID NOW COUNTERVAIL,
THE COMMUNITY WOULD BE BOUND TO RESPOND.

7. HIJZEN SAID THAT THE MILK MANAGEMENT COMMITTEE WOULD BE
MEETING WEDNESDAY, FEBRUARY 5. HE FELT THAT IT WOULD BE IMPOSSIBLE
TO POSTPONE THIS MEETING AFTER HAVING POSTPONED IT ALREADY BY ONE
WEEK. THE COMMISSION INTENDS TO ASK THE COMMITTEE'S VIEWS
ON THE REDUCED RESTITUTION PAYMENTS AND ON THE ELIMINATION OF
PREFIXATION FOR CHEESE EXPORTS TO THE US. ASSUMING THAT THE
COMMITTEE DOES NOT OPPOSE THESE MEASURES, THE COMMISSION WOULD
PROCEED TO INSTITUTE THEM VIRTUALLY IMMEDIATELY. HOWEVER, THE

FINAL COMMISSION DECISION ON THE LEVEL OF SPECIFIC RESTITUTIONS
WOULD DEPEND IN PART ON WHAT WENT ON IN THE DAIRY MANAGEMENT
COMMITTEE. HIJZEN SAID THAT HE WOULD INFORM US OF THE RESULTS OF
THE COMMITTEE MEETING AS SOON AS IT WAS OVER -- WHICH PROBABLY
MEANS LATE ON FEBRUARY 5. GREENWALD

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